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Posted on Fri, Jan. 07, 2005

Quick N.C. tobacco ruling sought

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RALEIGH, N.C. - Kentucky's attorney general is asking the North Carolina Supreme Court for a speedy review of a judge's decision that major cigarette companies are not required to make a final round of payments to tobacco farmers from a 1999 settlement.

Attorney General Greg Stumbo said his office filed the petition Wednesday, even though last month's ruling by Business Court Judge Ben Tennille has already been appealed to the North Carolina Court of Appeals.

The new petition "seeks to bypass any determination by the Court of Appeals and asks the Supreme Court for a review of the decision due to the fact that delaying the final decision of this



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case would cause significant harm to thousands of people," Stumbo said in a statement yesterday.

"Ultimately, this appeal will decide whether approximately \$424 million will go to hundreds of thousands of tobacco farmers or whether the money will go back to tobacco companies," Stumbo said.

Tennille angered many farmers when he ruled last month that cigarette companies didn't have to make a final, \$189 million payment to growers after the 1999 settlement was superseded by Congress's October approval of a \$10.1 billion tobacco buyout.

He also ruled that the companies were due a refund of payments they made to farmers earlier in 2004.

The dispute involves the 1999 agreement under which the four major tobacco companies agreed to pay growers \$5.15 billion in so-called Phase II payments over 12 years. The money was compensation to growers and tobacco quota holders for losses they expected to suffer under the \$206 billion Master Settlement Agreement with the states, which raised cigarette costs.

Under that agreement, the tobacco companies make Phase I payments to nearly all states to settle litigation over the costs to the states of treating tobacco-related illnesses.

But last fall's tobacco buyout dismantled the decades-old federal price-support system for the crop and ends the Phase II payments. Growers and the tobacco companies now disagree about whether the companies owe the Phase II payments for 2004.

Meanwhile, a group of Kentucky House lawmakers proposed legislation yesterday aimed at paying tobacco farmers their expected 2004 Phase II payments of \$114 million. Under the proposal, the state would sell bonds to pay tobacco farmers.

The bonds would be repaid through the state's share of future Phase I payments.

County portions of Phase I payments would not be used, said Rep. Rick Rand, D-Bedford, one of the bill's sponsors.

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